IOWA STATE BANK
Helping People Succeed!

RECEIVED
JUN 3 0 2005
By 184

ALGONA
5 E Call St
Algona, IA 50511
Phone 515-295-3595
Fax 515-295-3204

CORWITH
PO Box 37
103 NW Elm St
Corwith, IA 50430
Phone 515-583-2390
Fax 515-583-2532

RUTHVEN
PO Box 249
1108 Gowrie St
Ruthven, IA 51358
Phone 712-837-5215
Fax 712-837-5213

WESLEY
PO Box 218
108 Main St
Wesley, IA 50483
Phone 515-679-4533
Fax 515-679-4074

BANK LINE
1-800-409-0480

TOLL FREE
1-800-ISB-3595

WEBSITE
www bankatisb com

Member F D I C

June 27, 2005

E-mail: comments@FDIC.gov.
Suject: Docket Number OP-1227
Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

E-mail: regs.comments@federalreserve.gov
Subject: Docket Number OP-1227
Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Mr. Feldman and Ms. Johnson:

The Interagency Proposal of the Classification of Commercial Credit Exposures greatly concerns me when I weigh the cost of implementation vs. benefits received. We are a state chartered bank examined by both the Iowa Division of Banking as well as the FDIC. Examiners for both agencies discuss classified credits with the loan officers, bank managers, senior credit administrators, and senior bank management. It appears to me that examiners as well as bankers are very clear on those classifications. More importantly, as a 30+ year banker, including a severe economic downturn in the mid 1980's, I have always felt that state as well as FDIC examiners have been consistent in accurately identifying a loss exposure. This consistency has also aided the bank management in internally being consistent in identifying our loss exposure.

Implementation of this proposal will produce significant cost for banks and credit administration systems, loan policy and procedures, administration and collection procedures, as well as the methodology for analysis of the adequacy of the reserve for loan and lease losses. The result in ratings created in the proposal is no more clear and reasonable than the ratings generated by the current system. Almost all bankers and regulators understand the current system. If the system isn't broke, why fit it? The proposed classification scheme is complicated and burdensome; it may have some merit for large, complex banking organizations, but for the average bank, I do not believe the merits outweigh the cost.

I urge the Agencies to refrain from implementing this proposal. If you proceed with this proposal, I would hope the least you would do is to restrict it to large, complex banking organizations. There is no valid reason to impose a new commercial loan classification system when the existing classification system is working satisfactorily.

Sincerely,

R. Scott Whyte,
Sr. Vice Pres.